

Living Sky School Division No. 202

Administrative Procedure (AP) Manual



Procedure Name: Accumulated Surplus from Operations

Procedure Type:	Business Administration	Implementation Date:	SEP 1, 2025
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AP Owner:	Superintendent of Business	Last Review Date:	SEP 15, 2025
Legal Reference(s):			

Background

The Board of Education (Board) is responsible for ensuring that the Division is financially protected from extraordinary circumstances which would negatively impact Division operations and the education of students. Further, a level of financial reserves is an indicator of financial health and can contribute resources to provide for multi-year planning for future educational services, and protection from future financial risk. From time to time, the Ministry of Education issues guidelines to provide additional guidance in the interpretation and application of accounting standards for school divisions. All school divisions are required to comply with the guidelines.

An operating surplus represents the extent to which operating revenues in a fiscal year exceed operating expenditures in that year. Conversely, an operating deficit occurs when operating expenditures in a fiscal year exceed operating revenues in the same year. The Board is responsible to maintain a positive combined restricted and unrestricted accumulated surplus from operations to ensure fiscal sustainability.

The purpose of the Internally Restricted Reserve is to support stable programming and ongoing operations for the benefit of the students served by the school division. The Internally Restricted Reserve provides an internal source of funds to be accessed in situations such as unanticipated increases in expenses, one-time unbudgeted expenditures—including capital costs—unanticipated funding reductions, or shortfalls in uninsured losses. In addition, the Internally Restricted Reserve may be used to set aside funds for the planned replacement or acquisition of capital assets such as vehicles, school buses, and other essential equipment as they reach the end of their useful lives. The Internally Restricted Reserve is not intended to replace a permanent loss of funding.

Scope

This administrative procedure addresses a commitment to business practices that promote a sustainable organization. The purpose of this procedure is to provide:

- guidance and consistency in financial planning,
- mitigation of short-term volatility,
- protection against future financial risk,
- support of thoughtful and effective resource allocation; and
- a contingency for unexpected costs.

Definitions

In this procedure, the relevant financial terms are defined as follows:

Accumulated Surplus from Operations refers to the accumulated excess of operating revenues from all prior years over operating expenses from all prior years.



Accumulated Deficit from Operations refers to the accumulated excess of operating expenses from all prior years over operating revenues from all prior years.

Adjusted Annual Operating Revenue is the annual operating revenue less capital grants and school-based fund revenue.

Operating Surplus for the Year is the amount by which a fiscal year's operating revenues exceed that same fiscal year's operating expenses

Operating Deficit for the Year is the amount by which a fiscal year's operating expenses exceed that same fiscal year's operating revenues.

Operating Revenue is the total of all revenue in the operating fund as disclosed in the Statement of Operations of the financial statements.

Operating Expense is the total of all expenses in the operating fund as disclosed in the Statement of Operations of the financial statements.

Unrestricted Surplus means that portion of the Accumulated Surplus that has not been allocated by the Board for specific uses.

Internally Restricted Reserve refers to that portion of the Accumulated Surplus that the Board has designated, via Board motion, for specific uses. These resources may be repurposed at the discretion of the Board through a subsequent Board motion.

Externally Restricted Reserve refers to that portion of the Accumulated Surplus that has been restricted for a specific purpose by the contributor of the resource. There is a contractual or fiduciary responsibility to hold these funds until their future purpose is carried out.

Roles & Responsibilities

Superintendent of Business

- develops the annual operating budget
- monitors and analyzes financial results throughout the fiscal year
- reviews actual financial results at year end to determine the extent of any operating surplus or deficit and provides recommendations to the Board regarding the allocation of any operating surplus to internally restricted reserves in alignment with the priorities and risk management strategies of the school division
- provides recommendations to the Board to address any operating deficit, including consideration of available reserves and plans for replenishment if required
- is responsible to ensure that the internally and externally restricted reserves are properly recorded, maintained, and used as described in this procedure

Procedures

1. The Internally Restricted Reserve will be approved by Board motion annually, following review of the annual financial statements. The balance in the Internally Restricted Reserve will be managed within a reasonable percentage compared to annual operating revenues.



2. The superintendent of business will identify the internally and externally restricted reserves each year and will identify and recommend amounts to access if needed, consistent with the purpose of the reserve as described in this procedure. The recommended amount to access includes analysis of the reason for the shortfall, the availability of any other sources of funds, an assessment of the estimated time period the funds will be required and the strategy and timeframe to replenish the reserve.
3. The financial statements will record the Internally and Externally Restricted Reserves per the recommendations of the SASBO Accumulated Surplus Reporting Manual. The reserves are available in cash and funds comingled with the general cash and investment accounts of the Division.
4. Surplus unrestricted operating funds are used to fund the Internally Restricted Reserve. Administration may also direct a specific source of revenue, such as donations, fundraising or special grants, to be allocated to the reserve.
5. The Internally Restricted Reserve is dynamic, and the Board will review the reserve annually in conjunction with its review and approval of the audited financial statements for the year.
6. The Board will aim to retain specific operational reserves balances:
 - a. An Unrestricted Surplus shall be between 0.5% and 2% of the Adjusted Annual Operating Revenue.
 - b. Internally Restricted Reserves shall be between 1% and 10% of the Adjusted Annual Operating Revenue. This amount does not include Internally Restricted Reserves designated for capital expenditures, facility related projects, and school generated funds.
 - c. There shall be no limit on Externally Restricted Reserve balances as those categories are managed by way of an agreement between the Board and another organization.
 - d. If the Division retains reserve balances that exceed the targeted levels, the Board will approve a detailed plan to spend the excess funds.

Related

AP 7.02 Budget

SASBO Accumulated Surplus Reporting Manual (*Saskatchewan Association of School Business Officials*)